



United States Department of Agriculture

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Washington, D.C. 20250

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JUL 27 2011  
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The Honorable Daniel Elliott  
Chairman  
Surface Transportation Board  
395 E Street, SW.  
Washington, D.C. 20423

RE: STB Ex Parte No. 711, Rulemaking to Adopt Revised Competitive Switching Rules

Dear Mr. Chairman,

The Department of Agriculture (USDA) supports the National Industrial Transportation League's petition for a rulemaking to adopt revised competitive switching rules and urges the Board to hold a proceeding on this issue.

USDA believes that reciprocal switching was intended to be broadly available to shippers by the Stagger's Act and Interstate Commerce Commission Termination Act, under 49 U.S.C. § 11102(c), which states "The Board may require rail carriers to enter into reciprocal switching agreements, where it finds such agreements to be practicable and in the public interest, or where such agreements are necessary to provide competitive rail service."

Current STB rules, which were developed in the mid-1980s, require a shipper to show anticompetitive conduct by the railroad in order to obtain reciprocal switching. This has created an insurmountable barrier for shippers to obtain reciprocal switching.

In recent years, Class I railroads have physically or economically removed interchanges with other railroads, which has the effect of reducing rail-to-rail competition by encouraging shipments to remain on their own railroad and thereby reducing shippers' potential marketing opportunities. As an example, reciprocal switching charges typically exceed \$500 per railcar, but have a variable cost of approximately \$100 per railcar. Switching charges exceeding \$500 make it uneconomical for shippers to interchange with another railroad and denies access to potential markets. Because of this phenomenon, USDA believes that appropriately addressing the pricing mechanisms of switching rules is a critically important aspect of any rulemaking in this subject area.

Sincerely,

Edward Avalos  
Under Secretary  
Marketing and Regulatory Programs